BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 98-328-W/S - ORDER NO. 1999-349

MAY 17, 1999

IN RE:	Application of Kiawah Island Utility, Inc. for Approval of a New Schedule of Rates and Charges for Water and Sewer Service.	)))	ORDER DENYING REHEARING AND RECONSIDERATION

This matter comes before the Public Service Commission of South Carolina (the Commission) on Petitions for Rehearing and/or Reconsideration of our Order No.1999-216 from five of the parties in this case. These parties are as follows: Kiawah Island Utility, Inc. (the Utility or the Company); the Consumer Advocate for the State of South Carolina (the Consumer Advocate); the Town of Kiawah Island (the Town); the Kiawah Island Property Owners Group (KPOG), and the Kiawah Island Resort Association (the Inn and Golf Companies). Because of the reasoning stated below, we must deny the Petitions, although we do grant clarification of certain portions of the Petitions.

I. Petition of Kiawah Island Utility, Inc.

(Plus Discussion on All Parties' Positions on the Operating Margin)

We will first discuss the Utility's Petition for Reconsideration. The Utility initially requests that we modify our Appendix A to conform to the language in the text, which states that we were approving the Company's proposed water and sewer charges, except for the consumption charges for the water category for Rate Schedule No. 1 Residential Service. After due consideration of the request, however, we grant clarification, and state

that Appendix A reflected our true intent as to the rates in this case, and not the text in Order No. 1999-216 referring to the "one exception," i.e. the water category for Rate Schedule 1 Residential Service. We did intend to modify this proposed rate schedule, but we also intended to describe a modification of the Company's proposed consumption rates for potable water in all rate schedules as reflected in Appendix A. We believed, and still believe, that these modifications aid us in meeting the three fundamental criteria of a sound rate structure, as outlined in Bonbright's Principles of Public Utility Rates. The rates as propounded allow a fair return to the Utility, while distributing the burden of the total revenue requirements fairly among the beneficiaries of the service. We also hold that the rates as designed and reflected in Appendix A discourage the wasteful use of public utility services, while promoting all use that is economically justified in view of the relationships between costs incurred and benefits received.

Thus, Appendix A as published with Order No. 1999-216 correctly reflected our adopted rate design in this case. We do note that the Company correctly states the use of the term "for firefighting service" in Appendix A was incorrect, and that the term "hydrant maintenance" should have been used. Also, the Company notes that the recitation of its address was erroneous. Attached to this Order is a corrected Appendix A making these requested corrections. However, we would note that the corrected Appendix A leaves the rates promulgated in the original Appendix A as attached to Order No. 1999-216 intact, which we hereby reaffirm.

Obviously, we disagree with the Company's allegation that the increases allowed for potable water in all categories of service are so small as to not discourage wasteful consumption. We believe that our rate design will accomplish the desired objective, i.e.

the design will discourage wasteful consumption. Further, we hold that the increase for golf course and irrigation water from $2.40 to $2.41 per 1,000 gallons for over 50,000 gallons a month will contribute, along with the other rate increases, to recovery of the increase in the cost of water from St. John's Water Company. The Staff allowed an adjustment for this increase, which represents an adjustment for the cost of potable water after the test year, which, based on the "test year" principle, is all that we are required to allow.

The Company further alleges that we deviated from our historical treatment of tap-in fees. As the South Carolina Supreme Court has reminded us, we may not adopt a methodology for a rate case, simply because we utilized that methodology in a prior rate case for the same company. We would note that in the present case, the tap-in expenses identified by the Utility were far below the amount that would be expected for this particular company. The only recourse that we had in this case was to treat tap fee expense as if it were equal to tap fee revenue. This assumes that the tap fees were set to cover costs without any built-in profit. Since we held and still hold that a tap fee is simply the cost of making the tap itself, our treatment of the tap-in fees in this case was consistent with this principle, and we reject the Utility's allegation of improper treatment of these fees.

The Utility also takes issue with an "implication" made by us, stemming from the statement that it "did not appeal" our granted operating margin in the last case, wherein we granted an operating margin of 3.55%. The Company states its belief that we implied that the Company's failure to appeal means that it agreed with the operating margin awarded in the previous case. We will clarify and state that we intended no such

implication. Frankly, a matter is either appealed or it is not appealed. We are aware that a number of matters must be considered prior to a Company's decision to appeal or not to appeal an Order or a portion of an Order. Our only intent in making reference to the fact that the operating margin in the last case was not appealed was to show that the 3.55% was the law of that case, not that the Company necessarily agreed with our determination.

We note that the Company, the Town, KPOG, and the Inn and Golf Companies all challenge our holding of 6.5% as the appropriate operating margin in this case. The Utility states that the Commission should have accepted the expert testimony of Company witness Barry Gumb, and should have granted an operating margin of 9.5%, rather than the 6.5% that we did grant. The Town, KPOG, and the Inn and Golf Companies state a belief that the Commission correctly rejected Gumb's testimony, but that we should have adopted an operating margin of 3.55%, "the only other specific operating margin found in the record", and the operating margin granted by us in the last Kiawah rate case. These Petitioners allege that there has been no change in circumstances that would justify our granting a 6.5% operating margin to the Utility.

With regard to the Utility's position, we specifically held in Order No. 1999-216 at 24 that the testimony of Barry Gumb was not credible. As we stated, Gumb presented no evidence to show that operating margins for two other companies mentioned in his testimony came from substantially similar companies to Kiawah. Further, although Gumb did apparently attempt to look at businesses with allegedly similar risks, the testimony was too non-specific to draw any real conclusions. Therefore, after having reexamined the full testimony of Company witness Gumb, we once again find that his testimony is not credible, therefore, we do not adopt his proposed 9.5% operating margin.

Further, we reject the contention of the Town, KPOG, and the Inn and Golf Companies, that in rejecting Gumb's testimony, we are therefore bound to adopt an operating margin of 3.55%, "the only other operating margin in the record." We disagree with the proposition that the record supports only the two mentioned numbers. The matter of the appropriate operating margin is a matter that is "peculiarly within the discretion of the Commission." See Patton v. South Carolina Public Service Commission, 280 S.C. 288, 312 S.E. 2d 257 (1984). In addition to being mindful of the usual Hope and Bluefield standards, we would note that our operating margin figure is calculated from numbers in the record that represent the level of income and revenue, determined after a thorough examination and determination of the appropriate accounting and pro forma adjustments. See Order No. 1999-216 at 24, Table D. All of the numbers that enter into the determination of the appropriate operating margin come from the record of the case. The operating margin number simply falls out, when one takes the ratio of income to revenue, after removal of interest. We do have the discretion, however, to examine the determined number to see if it meets all of the appropriate regulatory standards, and that the number appropriately balances the interests of the Company with those of the consumer. However, in the present case, we held that the calculated number was the appropriate operating margin.

We would note that it is very difficult, if not impossible to have a witness testify as to an appropriate operating margin, since this is merely a ratio of income to revenue. This is not comparable to "rate of return" testimony, where a witness states an opinion as to the appropriate rate of return on equity or rate of return on rate base. We therefore hold that our determination of the appropriateness of a 6.5% operating margin was supported

by the substantial evidence of record, since it was derived from a calculation after the determination of the proper accounting and pro forma adjustments.

The contentions of all Petitioners as to the alleged inappropriateness of our determined operating margin are rejected.

II. Petition of The Consumer Advocate

The Petition for Rehearing and Reconsideration of the Consumer Advocate attacks several accounting adjustments adopted by us in Order No.1999-216. First, the Consumer Advocate alleges that the Order fails to make specific findings of fact when it accepted Staff's adjustment for purchased water. Further, the Consumer Advocate states that we should not adopt an adjustment for purchased water eleven (11) months after the end of the test year. Finally, the Consumer Advocate notes that if this adjustment to expenses was allowed, the increase in revenues generated by the additional one hundred (100) homes in 1998 should be allowed as well. We reject all of these contentions.

With regard to the question as to whether or not we made specific findings of fact when we adopted Staff's adjustment for purchased water, we must state that we have reviewed our holding on this matter in Order No. 1999-216 at pages 11 and 12, and we must conclude that the Consumer Advocate is in error. The pages contain specific findings of fact as to how we arrived at the purchased water adjustment, complete with specific descriptions of the calculations that we adopted. It should be noted that the Company and the Staff were the only two parties to present accounting testimony in this case, and the Company ultimately consented to the Staff's adjustments. Therefore, there was no potential to "simply recite the conflicting positions of the parties and then choose the Staff-Company position," as alleged by the Consumer Advocate. The Staff's position

was really all that we needed to consider. As stated, however, we believe that we made ample findings of fact to show why we adopted that position in any event.

The Consumer Advocate next complains about this Commission allowing recognition of a rate increase from the St. Johns Water Company that did not occur until December 1, 1998, some eleven (11) months after the end of the test year. The Consumer Advocate believes that we should follow what we did in Kiawah's last rate case, where we found that an adjustment ten (10) months outside the test year to be too far outside the test year to be a reasonable post-test year adjustment. Accordingly, the Consumer Advocate believes that we should find that the water purchase adjustment should be found to be too far outside the test year to be allowable. As the Consumer Advocate and the Supreme Court have always told us, however, we may not follow a methodology in a case simply because we followed that methodology in a previous case, i.e. there must be a specific reason to apply that methodology in the present case as well.

In any event, the Consumer Advocate's concern is misplaced, since no true post-test year adjustment took place. Staff accounting witness Ellison actually used test year gallons, applied to a known and measurable change in the rate per gallon. Therefore, only the change in rate took place outside the test year.

The Consumer Advocate also states that the post-test year increase in revenues generated by the additional one hundred (100) homes added in 1998 should be allowed if a post-test year expense adjustment is allowed. First, as we have stated, the accounting adjustment adopted by us was not a true post-test year adjustment, in that Staff actually used test year gallons in its calculation. However, even if this had been a true post-test year adjustment, and the revenue from the one hundred additional homes had entered the

calculation, then more purchased water expense would have had to have been included, due to the increase in consumption (additional gallons used by 100 homes). The purchased water expense adjustment would have had to have been larger than what was adopted by us. Thus, this allegation of the Consumer Advocate is also without merit.

The Consumer Advocate further objects to the Commission's decision regarding the amortization periods for repairs and maintenance expenses, specifically tank painting and sludge removal. The Consumer Advocate further states that there was no supporting data for the Company's witness' conclusion, and granting the expense amounted to retroactive ratemaking, since the expenses were incurred prior to and outside the test year, and were not extraordinary. These statements are also unavailing.

In the previous case, the Consumer Advocate convinced us to use a five year average of certain expenses, including repairs and maintenance expense. In this case, the Company proposed to continue a five year averaging of such expenses. Five year averaging uses amounts outside the test year in its computation. Instead of a five year averaging, the Staff proposed, and the Commission adopted a method that identifies only the major expense items that the Company had incurred and amortizes only those items over five years. Sludge removal was denied in the last case, because it would have been unfair to increase expenses in one lump sum since such sludge accumulated over many years, and also because the final amount of the contract for sludge removal was not known. The fact that sludge accumulated over a number of years was also cited in the 1997 rate order for this utility. The Company is entitled to recognition for sludge removal at some point. To deny the adjustment at this point would deny recovery of any of the sludge removal expense. Therefore, a five year amortization period is appropriate. We

believe that the need for tank painting also occurs gradually, and a five year amortization period is reasonable for such an expense. Clearly, no retroactive ratemaking occurred, since no established, unappealed from rate was changed on a retroactive basis by this Commission.

The Consumer Advocate also takes exception to our adoption of the Staff adjustment for rate case expense from the previous year. Again, the Consumer Advocate states that these were prior to and outside the test year, and were not extraordinary, therefore, retroactive ratemaking allegedly occurred. None of this is the case.

In the last rate case, the Consumer Advocate's witness stated that it would be appropriate to determine the rate case costs subsequent to the last case, including the costs associated with this proceeding and to normalize those costs. That is the method that was used in this case. Thus, the Consumer Advocate attacks a methodology that it proposed initially. It should be noted that none of these rate case costs were included in the last rate case. Under the Consumer Advocate's present proposal, similar to sludge removal, no rate case costs at all will be recovered by the Company if denied in this case. Therefore, the Staff's adjustment must be accepted and is consistent with the Consumer Advocate's recommendations in the last rate case.

Finally, the Consumer Advocate complains of our adoption of the Staff's calculation of income taxes, stating that there are not enough facts to support this conclusion. Further, the Consumer Advocate notes that we adopted Staff's adjustments for both federal and state income taxes, although the Company did not claim such expenses in its Application. These allegations are also without merit.

We must note that Staff used information available to it at the time of its audit, however, the actual amount of usable tax loss carryforwards was not available at the time of the hearing. In any case, Staff's audit showed that not all of this loss carryforward would be available to the Company. This actual amount of loss carryforwards is in doubt as to their future tax return use. The Staff performed its income tax calculations based on taxable income after the increase that was granted by the Commission. It appeared from an examination of the Company's financial situation that the Company would be expected to pay income taxes in future years, even though such expense were not claimed in the Company's original rate Application. In order to set rates that would be representative of coming years, then, we adopted the Staff's tax adjustments, and we believe that such adoption of these adjustments was appropriate, considering the Utility's particular situation.

III. Petition of the Town of Kiawah Island

As stated above, we reject the Town's allegation that we adopted an inappropriate operating margin for the reasons stated above. We also note that the Town objects to our adoption of the tiered consumption rate. This is based on the allegation that all fixed charges are covered by the facilities charge of $22.40 per month for residential customers, and that the consumption rates only cover variable costs, which do not increase per 1,000 gallons. Thus, according to the Town, there is no evidence in the record which supplies a cost-based justification for the tiered rate structure as adopted in our original rate Order in this Docket. The Town disagrees with the concept of using water conservation as a basis for the adoption of the tiered rate structure. The Town also

believes that irrigation is penalized by the adopted rate structure. These allegations are without merit.

First, we reiterate our belief that water conservation is a reasonable basis for our adoption of the tiered rate structure. It stands to reason that approving a higher rate for higher consumption of water discourages the use of larger amounts of water. Water customers tend to use less water when the price of the water is higher for that greater use. This principle does not discriminate against irrigation customers, but is true for regular residential customers as well. Thus, the Town's Petition is without merit.

IV. Petition of KPOG

The Kiawah Property Owners Group (KPOG) firsts asks this Commission to reconsider rejection of KPOG's Motion to Dismiss this rate case, since an appeal of the last rate case is still pending before the South Carolina Supreme Court. For reasons stated in our prior Orders, we must disagree, and reject KPOG's reconsideration request of this matter.

Second, we have already explained our rejection of KPOG's allegations regarding our adopted operating margin.

Third, KPOG objects to our alleged failure to properly account for tap-in fees for 1992, 1993, and 1994, an interim period. The purpose of the test year principle is to take a "snapshot" of a Company's financial position at one given time, and then, through examination and adjustment, develop rates which, among other things, fairly compensate the Company for its expenses, and account for its various income and revenues. This principle was followed in the present case, and, after examination, an appropriate allowance for tap-in fees was developed. KPOG's allegation ignores our use of test year

methodolgy. Additionally, the capitalized tap-in costs associated with previous years are not included in the rate base of the Company. They are also not included in the Company's assets as alleged by KPOG. Thus, there was no need to consider the interim period.

Fourth, according to KPOG, the Commission failed to account for availability fees or building incentive fees in the Order in accordance with the Commission Staff's recommendations, and several previous Commission Orders in Kiawah's past cases. According to KPOG, there was no evidence in the record that building incentive fees should have been treated as anything else but availability fees. KPOG also notes that the Commission's findings were inadequate to support our refusal to account for these amounts. Lastly, KPOG questions the Utility's showing of proper affiliate transactions in this case. All of these matters are also unavailing.

We would note that availability fees were subtracted from rate base in the Staff report in the amount of $1,512,920. This figure represents the amount of such fees collected by the developer as availability fees. The terminology "building incentive fee" appeared after December 31, 1991. These fees have not been subtracted from rate base because of some doubt as to the exact nature of these fees. Whereas the typical contract between a lot owner and the seller of the property obligates the lot owner to pay a building incentive fee to the seller until a building permit has been issued, there is no indication in the contract as to how those fees shall be used or for what purpose they are to be used. We have no other evidence before us which would answer this question. Notwithstanding any prior reference to the potential equivalency of building incentive fees to availability fees in Order No. 92-1030, we hold that Staff correctly removed only

availability fees from rate base. Since there was no proper methodology for characterizing building incentive fees, Staff properly refrained from making any adjustment for these fees. (See Exhibit P to the Company's Application.)

It should also be noted that we are mindful of our duty to examine affiliate transactions under the authority of Hilton Head Plantation Utilities, Inc. v. Public Service Commission, 441 S.E.2d 321 (S.C., 1994), as pointed out by KPOG. The Hilton Head case stands for the proposition that when payments are made by a regulated public utility to an affiliate, the mere showing of actual payment does not establish a prima facie case of reasonableness. The case also holds that payment of unexplained expenses to affiliates did not entitle a regulated utility to a rate increase. We believe that we have examined the necessary transactions between the Company and its parent in this case in light of this standard, and have explained our holdings properly in our original rate order. In the case of availability fees, again, these were subtracted from rate base in this case, which we approve. However, again we do not necessarily agree that KPOG has established with reasonable certainty that "availability fees" and "building incentive fees" are one and the same. Accordingly, even under Hilton Head, we do not believe that any further action is necessary.

Lastly, KPOG alleges that our decision on all items previously raised in the still pending appeal before the Supreme Court in the last rate case should be held in abeyance, pending outcome of that appeal. We disagree, and reject the proposal. Each rate case is a separate entity, based on a separate test year, with separate data. We would note that the Circuit Court has affirmed the last Commission rate Orders on Kiawah. Therefore, we see

no reason to delay any decision related to the prior appeal which is now before the South Carolina Supreme Court.

KPOG's Petition is therefore rejected in its entirety.

V. Petition of the Inn and Golf Companies

First, the Inn and Golf Companies allege that some adjustment should have been approved by us to the requested Basic Facility Charge for the golf courses, and that Rate Schedule 6 completely ignores the fact that Kiawah Island Resort (KIR) is contractually bound to accept effluent from the Utility, and that the Utility is the major beneficiary of the golf courses' acceptance of the effluent. In essence, the Inn and Golf Companies state that, because the Utility gets the benefit of spraying, and therefore disposing, of its effluent on the golf courses, that the Inn and Golf Companies should get a lowered basic facility charge. We note that there are fixed costs for the provision of the service that must be paid to the Company. These are recoverable through the Basic Facility Charge as approved by us in Order No. 1999-216. Therefore, the basic facility charge as approved by us is reasonable to recover the fixed costs of the service provided.

Second, the Inn and Golf Companies state that our Order vitiates the business plan of Kiawah Island Resort (KIR), when we adopt Rate Schedule No. 6. The allegation is that the schedule has a Basic Facility Charge and a consumption rate that makes the cost of effluent and well water as expensive, if not more than potable water for golf course irrigation. Under the approved Rate Schedule No. 6 KIR must continue to pay a constant monthly Basic Facility Charge for access to water throughout the entire year, even though its greatest demand comes generally during the summer months. KIR thus must pay for well water, regardless of actual usage. Again, these allegations are without merit. The

Utility incurs fixed costs throughout the year necessary to provide these services, even though the greatest demand may come through the summer months.

Next, the Inn and Golf Companies state that our prior Order in this case failed to consider the evidence regarding KIR's purchase of the Ocean Course deep well, and the construction of a deep well at Osprey Point. It is alleged that our rate structure leads to unfair cost apportionment to these golf courses. On the contrary, we believe that our rate structure leads to a fair apportionment of costs among all of the Utility's customers. While purchase of the wells will certainly give assurance of plenty of irrigation water for the aforementioned golf courses, their duty to pay their share of the costs for the water facilities that they use is unabated. This allegation is therefore rejected.

We have already addressed the Inn and Golf Companies objection to our adoption of the 6.5% operating margin.

Lastly, the Inn and Golf Companies complain that the rates resulting from the Commission's Order amount to "rate shock," or excessive rates for them. According to them, under our Order, they end up paying two and three times for access to water. KIR must pay for access to potable water even if no water is used. It also pays to relieve the Utility of effluent when it is already obligated to do so by easement. In short, the Inn and Golf Companies request that we amend the rate schedules to relieve this "rate shock." None of these points is meritorious.

"Rate shock," as a concept, is normally considered to be a situation wherein customers of a utility are subjected to abnormally high rates for service. In the first place, this concept is not applicable in the present case. The Inn and Golf Companies complain about having to pay more than once for access to water, but this is not a "rate shock"

concept. Second, although certain golf courses now own deep water wells, they cannot be totally relieved of their obligation to aid in paying the costs of the utility, since they continue to enjoy the service of that utility. Again, we cannot justify allowing the Inn and Golf Companies a "break," simply because they seem to own more facilities. They must still pay their fair share of costs of the utility for the provision of service. This point must also be rejected, as must the entire Petition.

VI. Conclusion

For the reasons stated above, all Petitions must be denied.

BY ORDER OF THE COMMISSION:

Philip T. Bradley
Chairman

ATTEST:

Gary E. Walsh
Executive Director

(SEAL)

Appendix A

KIAWAH ISLAND UTILITY, INC.
31 Sora Rail Rd.
Johns Island, SC 29445
(843) 768-0641

FILED PURSUANT TO DOCKET NO. 98-328-W/S – ORDER NO. 1999-216
EFFECTIVE DATE: MARCH 31, 1999

SCHEDULE OF RATES AND CHARGES

RATE SCHEDULE NO. 1 RESIDENTIAL SERVICE

AVAILABILITY -- Available within the Company's service area.

APPLICABILITY -- Applicable to any residential customer for any purpose.

Water Service Charges

A. Minimum Bill 0-2,000 gal/mo.

5/8" meter	$ 22.40/mo.
3/4" meter	$ 33.60/mo.
1" meter	$ 56.00/mo.
1 1/2" meter	$112.00/mo.
2" meter	$179.20/mo.
3" meter	$392.00/mo.

Basic Facilities Charge for water service with meters larger than 3" shall be:
Maximum recommended meter capacity *(gpm)* x $22.40 per mo.
20 gpm

B. Consumption Charge — $ 2.10/1000 gal.
All over 2,000 gal./mo. and up to 11,000 gal./mo.

C. Excess Consumption Charge #1 — $ 2.20/1000 gal.
All over 11,000 gal./mo. and up to 50,000 gal./mo.

D. Excess Consumption Charge #2 — $ 2.41/1000 gal.
All over 50,000 gal./mo.

Sewer Service Charges

A. Basic Facilities Charge

5/8" water meter	$ 18.00/mo.
3/4" water meter	$ 27.00/mo.
1" water meter	$ 45.00/mo.
1 1/2" water meter	$ 90.00/mo.
2" water meter	$144.00/mo.
3" water meter	$315.00/mo.

Basic Facilities Charge for sewer service where water service is through meters larger than 3" shall be:

$$\frac{\text{Maximum recommended meter capacity } (gpm) \times \$18.00 \text{ per mo.}}{20 \text{ gpm}}$$

B. Consumption Charge Based on Water Usage $ .47/1000 gal.
All up to 11,000 gal./mo.

Tap-in Fees

Water tap-in fee	$500.00
Sewer tap-in fee	$500.00

The tap-in fee provides for installation of the normal size residential meter of 5/8" by 3/4". Where the customer requests a larger meter, Company will apply the tap-in fee schedule for larger meters as listed in the Commercial Service Schedule No. 2.

RATE SCHEDULE NO. 2 COMMERCIAL SERVICE

AVAILABILITY -- Available within the Company's service area.

APPLICABILITY -- Available to any Commercial or Master Metered Residential Customer for any purpose except Hotel or Motel use (see Rate Schedule No. 3).

Water Service Charges

A. Basic Facilities Charge

5/8" meter	$ 22.40/mo.
3/4" meter	$ 33.60/mo.
1" meter	$ 56.00/mo.
1 1/2" meter	$112.00/mo.
2" meter	$179.20/mo.
3" meter	$392.00/mo.

Basic Facilities Charge for water service with meters larger than 3" shall be:

$$\frac{\text{Maximum recommended meter capacity (gpm) X \$22.40 per mo.}}{20 \text{ gpm}}$$

B. Consumption Charge $2.41/1,000 gal.

for all consumption

Sewer Service Charges

A.	Basic Facilities Charge	
	5/8" meter	$ 18.00/mo.
	3/4" meter	$ 27.00/mo.
	1" meter	$ 45.00/mo.
	1 1/2" meter	$ 90.00/mo.
	2" meter	$144.00/mo.
	3" meter	$315.00/mo

Basic Facilities Charge for sewer service where water service is through meters larger than 3" shall be:

Maximum recommended meter capacity (gpm) X $18.00 per mo.
20 gpm

B. Consumption Charge $1.80/ 1000 gal. for all consumption

Tap-in Fees

		Water Tap-in Fee	Sewer Tap-in Fee
5/8"	meter	$ 500.00	$ 500.00
3/4"	meter	$ 750.00	$ 750.00
1"	meter	$1,250.00	$1,250.00
1 1/2"	meter	$2,500.00	$2,500.00
2"	meter	$4,000.00	$4,000.00
3"	meter	$8,750.00	$8,750.00

Water Tap-in Fee and Sewer Tap-in Fee for water and sewer service where the water meter is larger than 3" shall be:

Maximum recommended meter capacity (gpm) X $500.00
20 gpm

RATE SCHEDULE NO. 3 HOTEL AND MOTEL SERVICE

AVAILABILITY -- Available within the Company's service area.

APPLICABILITY -- Applicable to all hotel and motel customers for any purpose.

Water Service Charges

Basic Facilities Charge	$9.00/mo/room
All Consumption	$2.41/1000 gal

Sewer Service Charges

Basic Facilities Charge	$7.20/mo/room
All Consumption	$1.80/1000 gal

Tap-in Fees

Water Tap-in Fee	$220/room
Sewer Tap-in Fee	$220/room

RATE SCHEDULE NO. 4 IRRIGATION SERVICE

AVAILABILITY -- Available within the Company's service area. The Company reserves the right to limit or reduce irrigation service available when, in its sole judgment, its water system conditions require such restrictions.

APPLICABILITY -- Applicable only to customers who anticipate substantial potable water use which will not be returned to the Company's wastewater treatment system such as irrigation. Such water consumption shall be metered separately from any water use supplied under other rate schedules.

Water Service Charges

A. Basic Facilities Charge

5/8" meter	$ 22.40/mo.
3/4" meter	$ 33.60/mo.
1" meter	$ 56.00/mo.
1 1/2" meter	$112.00/mo.
2" meter	$179.20/mo.
3" meter	$392.00/mo.

Basic Facilities Charge for water service with meters larger than 3" shall be:

$$\frac{\text{Maximum recommended meter capacity (gpm) X \$22.40 per mo.}}{\text{20 gpm}}$$

B. Consumption Charge — $ 2.20/1000 gal.
All up to 50,000 gal./mo.

C. Excess Consumption Charge — $ 2.41/1000 gal.
All over 50,000 gal./mo.

Tap-in Fees

5/8" meter	$ 500.00
3/4" meter	$ 750.00
1" meter	$1,250.00
1 1/2" meter	$2,500.00
2" meter	$4,000.00
3" meter	$8,750.00

Water Tap-in Fee where the water meter is larger than 3" shall be:
Maximum recommended meter capacity(gpm) X $500.00
20 gpm

RATE SCHEDULE NO. 5 FIRE HYDRANT SERVICE

AVAILABILITY -- Available within the Company's service area.

APPLICABILITY -- Applicable to fire hydrants connected to Company water mains.

Water Service Charges

$100.00 per hydrant per year payable semiannually in advance for fire hydrant maintenance.

When temporary water service from a hydrant is requested by a contractor or others, a meter will be installed and the charge will be:
$8.00 for each day of use, PLUS $2.41/1000 gals. for ALL water used,
PLUS a $50 security deposit.

RATE SCHEDULE NO. 6 GOLF COURSE IRRIGATION

AVAILABILITY -- Available within the Company's service area.

APPLICABILITY -- Applicable for golf course irrigation where the customer agrees to take as a minimum quantity the treated effluent from the wastewater treatment plant.

Water Service Charges

A. Effluent water will be billed at the rate of:

Basic Facilities Charge	$14,944.00/mo.
Consumption	$.13/1000 gal.

B. Deep well water will be billed at the rate of:

Basic Facilities Charge	$3,480.00/mo.
Consumption	$.18/1000 gal.

C. Potable water will be billed at the rate of:

Basic Facilities Charge	$2,663.00/mo.
Consumption	$2.41/1000 gal.

RATE SCHEDULE NO. 7 FIRE LINE SERVICE

AVAILABILITY -- Available within the Company's service area.

APPLICABILITY – Applicable for private fire lines.

Water Service Charges

Basic Facilities Charge	
2" line	$ 6.00/mo.
3" line	$11.00/mo.
4" line	$19.00/mo.
6" line	$38.00/mo.
Tap-in Fees	
2" line	$4,000.00
3" line	$8,750.00

Water Tap-in Fee where the service is larger than 3" shall be based on the tap-in fee schedule as listed in the Commercial Service Schedule No. 2.

CHARGES FOR SERVICE DISCONTINUANCE, RECONNECTION AND OTHER MISCELLANEOUS SERVICE CHARGES

1. When a customer requests temporary discontinuance of service for the apparent purpose of eliminating the minimum bill, during such cut-off period the Company may make a charge equivalent to a three months minimum bill for both water and sewer service and require payment of such charge before service is restored.

2. Temporary discontinuance of service for such purposes as maintenance or construction will be made and the Company may charge the customer the actual cost plus 25%.

3. Whenever service is disconnected for violation of rules and regulations, nonpayment of bills or fraudulent use of service, the Company may make a charge of $25.00 for water and $100.00 for sewer before service is restored.

4. Whenever service has been disconnected for reasons other than set forth in (3) above, the Company shall have the right to charge a $25.00 reconnection fee to restore service after 4:30 p.m. Monday-Friday or Saturday/Sunday.

5. Delinquent Notification Fee - $10.00. A fee of $10.00 shall be charged each customer to whom the Company mails a notice of discontinuance of service as required by the Commission rules prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.

6. Customer Account Charge - $25.00. One-time fee charged to each new account to defray costs of initiating service.

7. Return Check Charge (NSF) - $20.00.

8. Backflow Monitoring - $0.20 per month. A fee of $0.20 per month shall be charged each customer to reimburse the Company for Backflow Monitoring required by DHEC regulations.

9. DHEC Charges. If the South Carolina Department of Health & Environmental Control charges the Company an assessment based on customer units served by the Company, the Company may bill its customers for the applicable unit cost of that assessment. The charge shall be identified as a separate billed item and included in the total of the service billing.